

Mexico Commercial Overview

Opportunities in the Auto Supply Chain



Agenda

- Welcome & Why Mexico - John
- Mexico – A Competitive and Attractive Place to do Business - Edmundo
- Mexico – An Overview of the Automotive Sector - Edmundo
- Nuevo Leon - Overview with focus on Auto Industry – Rolando
- Additional Opportunities PAACE Automechanika and Queretaro Automotive Meetings - Monica
- Auto Supply Trade Mission Overview
- Questions and Answers

Speakers:

John Howell – Principal Commercial Officer

Edmundo Gonzalez – Northeast Regional Coordinator

Rolando Zubiran – Undersecretary of Foreign Investment and International Commerce

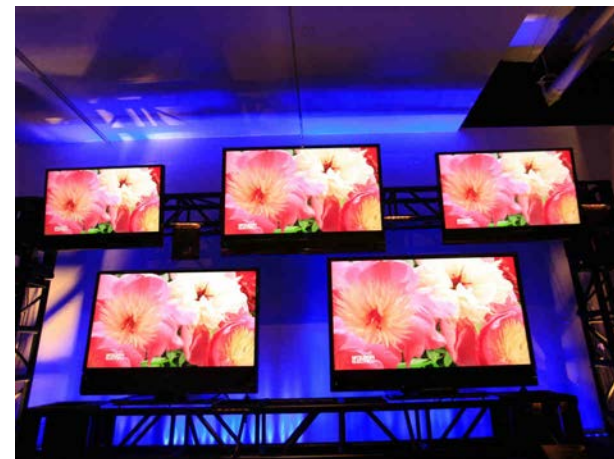
Monica Martinez – Commercial Specialist

How Many People View Mexico





Mexico's "Handicrafts" in 2013



Mexico compared to BRIC nations

- U.S. exports to Mexico exceed the total of all U.S. exports to the BRICS.
- Mexico's 2012 real GDP growth rate (3.9%) far exceeded Brazil's (1.0%)
 - Expected to be around 3.5% in 2013
- Growth in U.S. exports to Mexico over the last 3 years exceeds growth in exports to the BRICs combined
- \$0.38 of every \$1 of Mexican exports to the U.S. represents U.S. content
 - 3.75 times the amount of U.S. content in Chinese exports to the U.S.
 - 7.5 times the amount of U.S. content in Russian or Indian exports to the U.S.



Country	World Bank Ease of Doing Business Rank (2012)
Mexico	48
China	91
Russian Federation	112
Brazil	131
India	132



Safety and security:

A changing environment



- The changing security environment in Mexico can present challenges for some U.S. companies
- Border cities are particularly vulnerable, such as Nuevo Laredo, Juarez, Reynosa, Matamoros, and Tijuana
- Businesses in Mexico are investing more in security for their personnel, facilities
- Visitors need to use common sense and be aware
- Despite security perceptions, foreign investment is increasing
- Brazil's per capita murder rate is almost twice Mexico's
- State Department Website for Travel Advisories: <http://travel.state.gov/travel>

MÉXICO

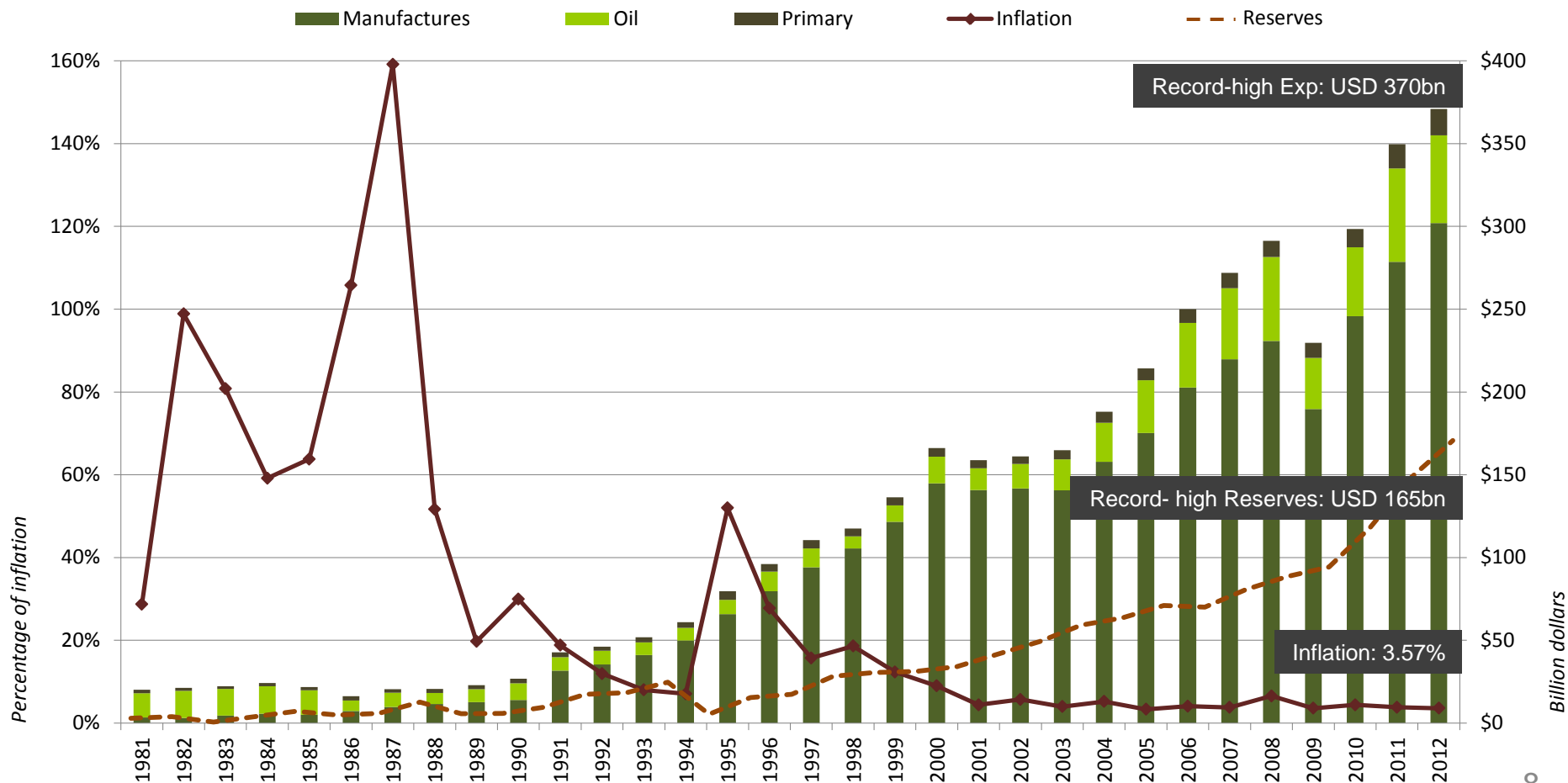


A Competitive and Attractive Place to do Business

An Overview of the Automotive Sector

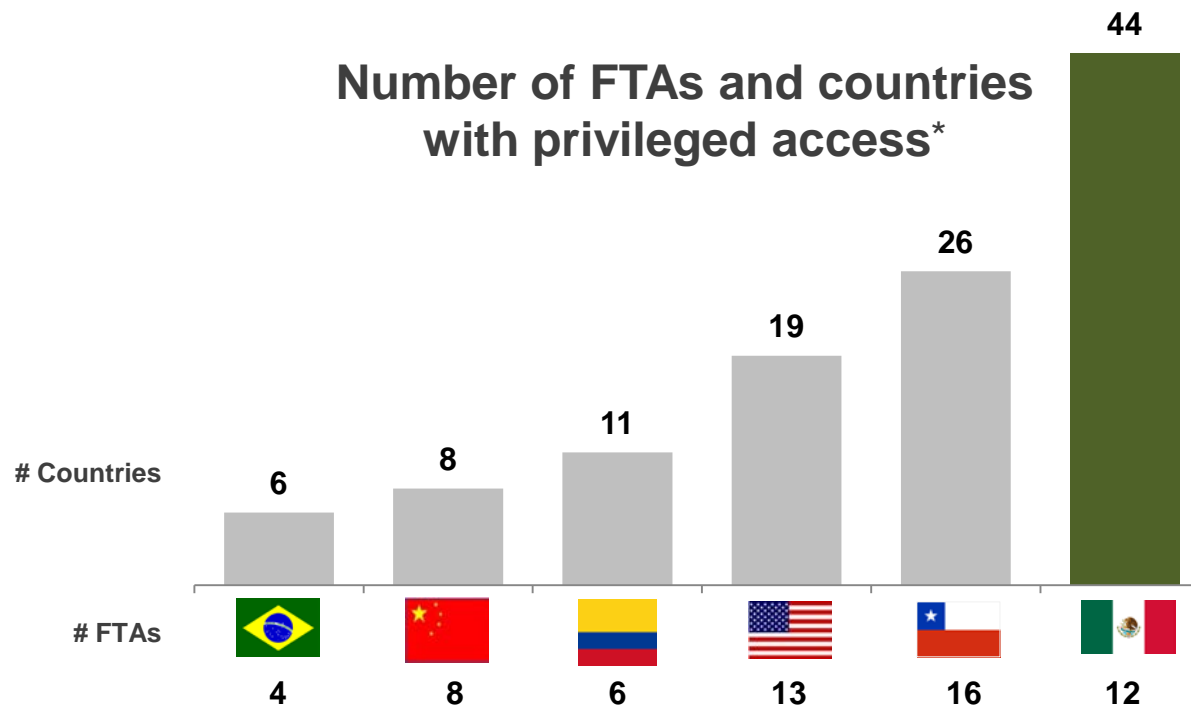
#1: Solid macroeconomic environment

Evolution of inflation, exports and international reserves in Mexico (1981-2012)



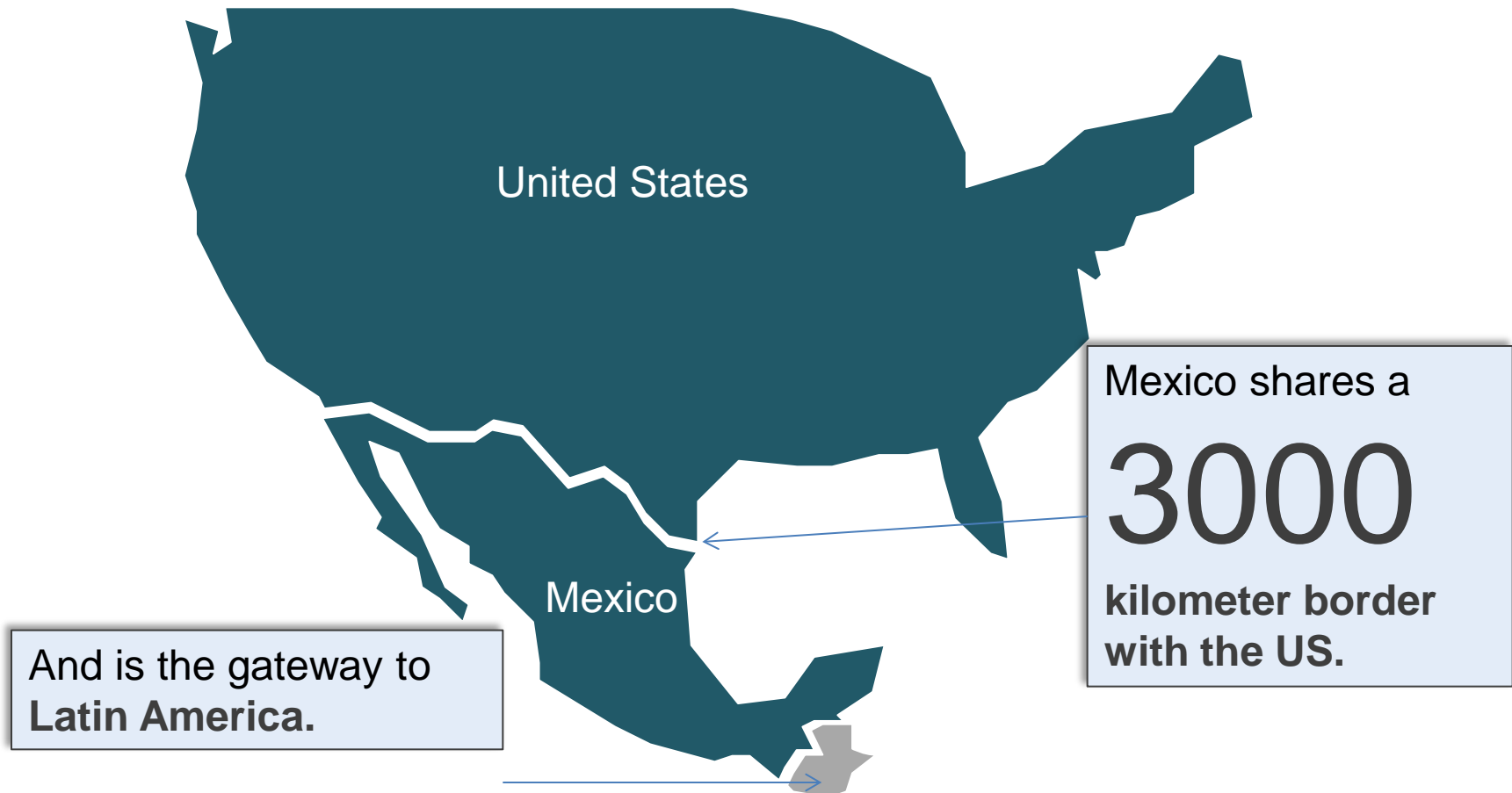
#2: We are committed to free trade

With 12 trade agreements, Mexico has access to **44 countries** (1.2 billion people).



Our FTAs give privileged access to 60% of the world's GDP.

#3: We have a wide border with the US

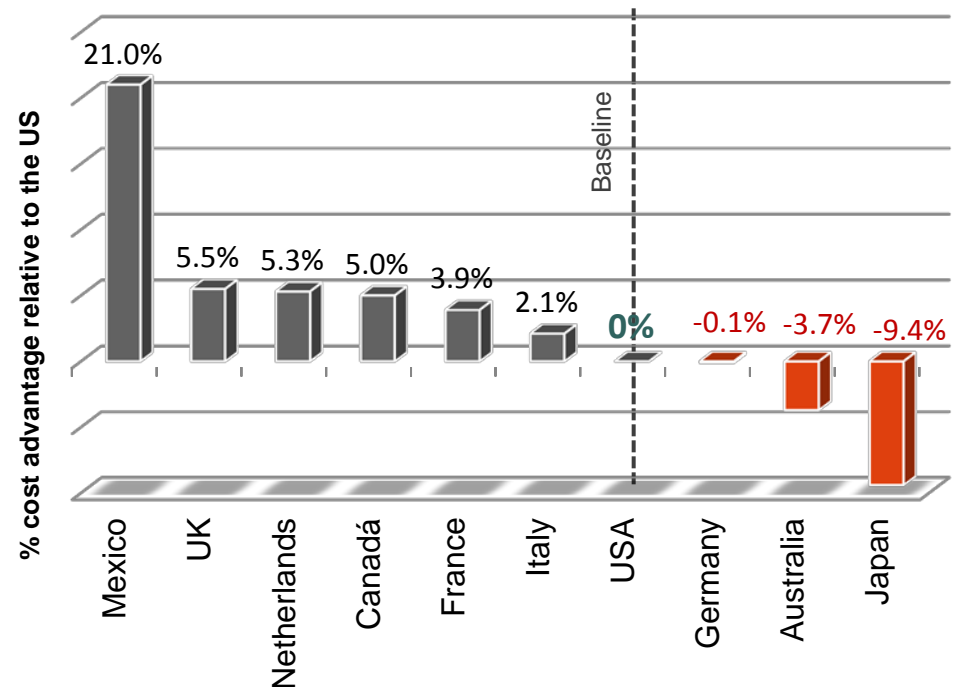


#4: Most competitive total cost to serve the US



The AlixPartners *Manufacturing Outsourcing Cost Index* ranks Mexico as the best country (better than BRIC's).

According to KPMG, in 2011 Mexico had an average cost advantage of 21% vs to the US.



#5: A country of young people

112
million inhabitants

*Old dependency ratio is around 1/3
of developed economies.*

*Around 48% of the population
is under 25.*

- 47 million in the labor force.
- By 2030, there will be more than **60 million** people of productive age.

51%

48%

#6: A country with great infrastructure

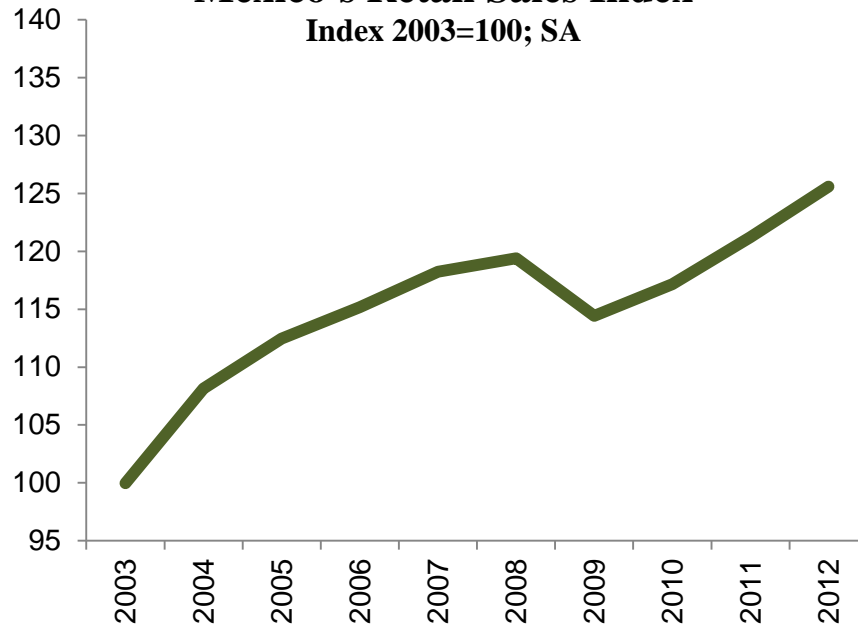
Mexico has:

- 63 border crossings.
- 68 international ports.
- 64 international airports.
- 16,700 miles of railroads.
- 230,000 miles of roads.

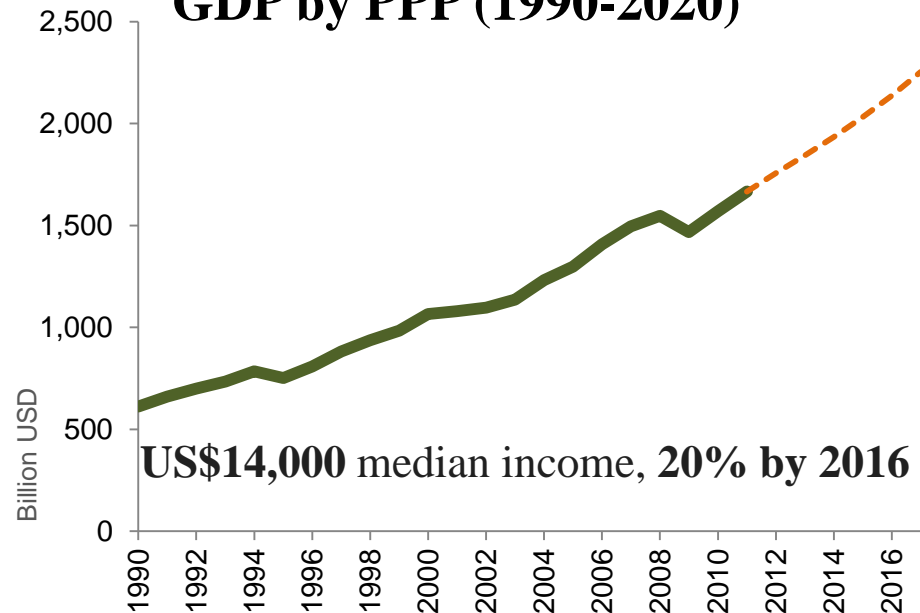


#7: Attractive domestic market

Mexico's Retail Sales Index
Index 2003=100; SA



GDP by PPP (1990-2020)



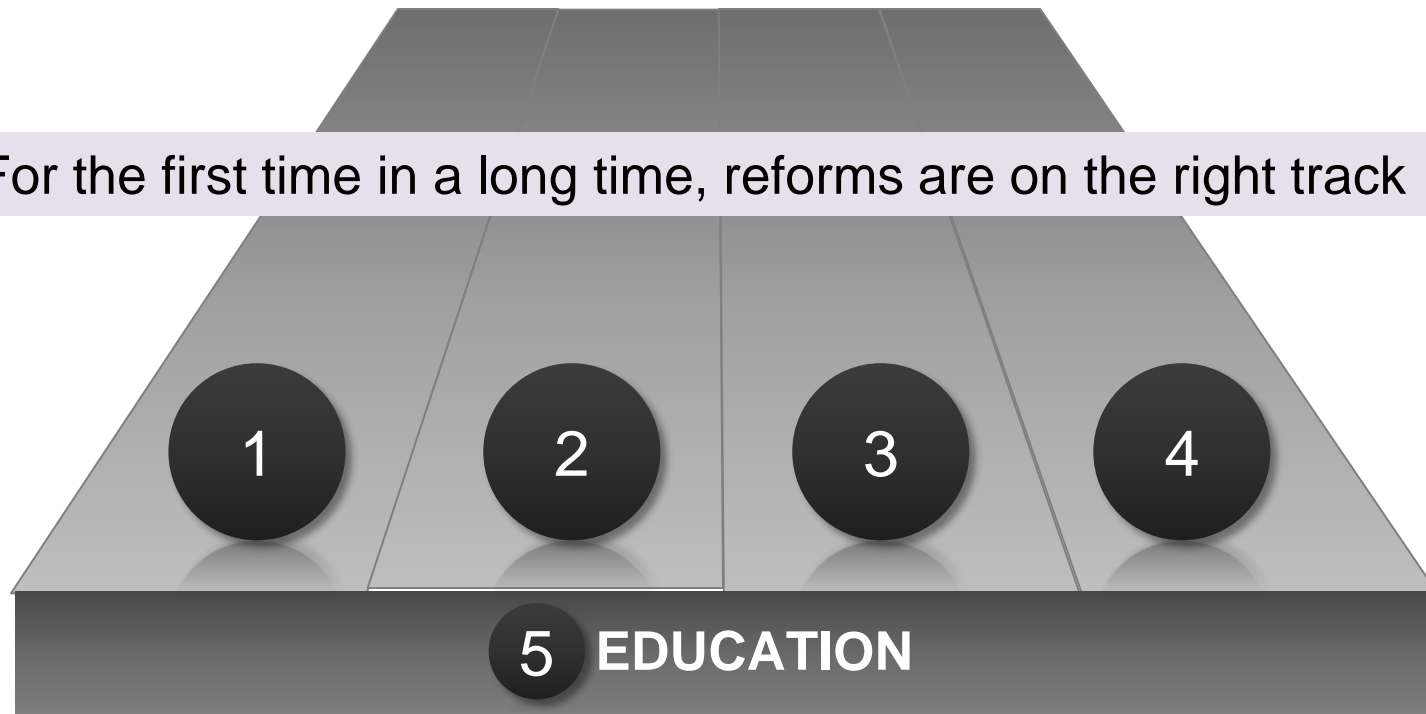
US\$14,000 median income, 20% by 2016

- Mexico is an attractive market for US companies due to growing middle-class, economic stability and credit expansion.
- It is the world's top per capita consumer of Coke and has more Walmarts per capita than the U.S.
- It's consumer market is central to large companies ranging from Citi, to P&G to Ford and GM.

#8: Reforms that will leverage our competitiveness

- 1 Energy
- 2 Labor
- 3 Telecom
- 4 Finance

For the first time in a long time, reforms are on the right track



...and open new business opportunities

#9: Mexico's most dynamic sectors in terms of exports and FDI

AEROSPACE

- Mexico is the 6th supplier to the American aerospace industry.



MEDICAL DEVICES

- We are the largest exporter in Latin America and main supplier to the US.



AUTOMOTIVE AND AUTOPARTS

- 8th producer and 4th exporter globally of new light vehicles in the world.



ELECTRIC-ELECTRONIC

- Leading flat television screen exporter in the world.

**370 billions in exports
+50% medium and high tech
manufactures**



**The Automotive Sector in
Mexico is a Big Deal...**

Key Indicators for Mexico (2012)

8°

World's largest vehicle producer in the world
(3.02 million units) ⁵

8°

Worldwide producer of light vehicles
(2.88 millones de vehículos) ⁴

4°

Exporter of light vehicles⁹
(2.35 millones de vehículos)



The automotive industry in Mexico accounts for:

21% of the Foreign Direct Investment ⁶ (FDI):

4% of the National GDP 2011⁷:

20% of the manufacturing GDP 2011⁷:

27% of Mexican total exports⁹:

⁴ Source AMIA ⁵ Source: OICA ⁶ Source: Ministry of Economics ⁷ Source: INEGI ⁸ ANPACT

⁹ ProMexico with information from Global Trade Atlas

Light vehicle production in Mexico

- Mexico reached an historic level of production with 2.9 million units in 2012.
- According to forecasts, by 2016 production will reach 3.7 million units.

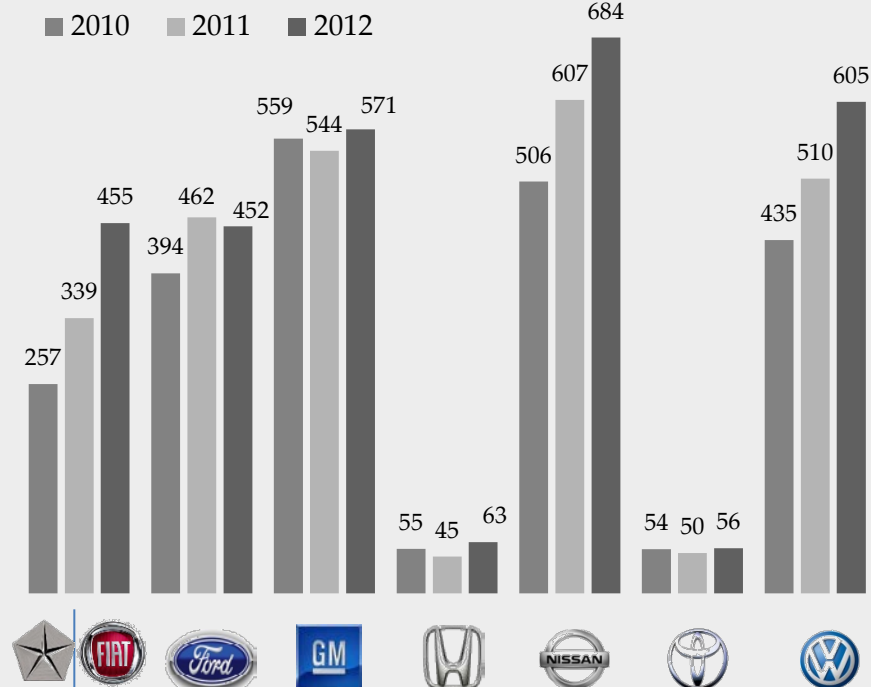
Mexico: Light vehicle production , 2005-2016
(millions of units)



/f: forecast for the year

Source: AMIA (2005-2012), Global Insight (2013-2016).

Mexico: Light vehicle production by company, 2010-2012
(thousands of units)



Source: AMIA.

Heavy vehicle and consumption in Mexico

- Heavy vehicle production reached historic records in 2012.
- According to forecasts, heavy vehicle consumption in Mexico will reach 59,052 units by 2016, an increase of 81% from 2011.

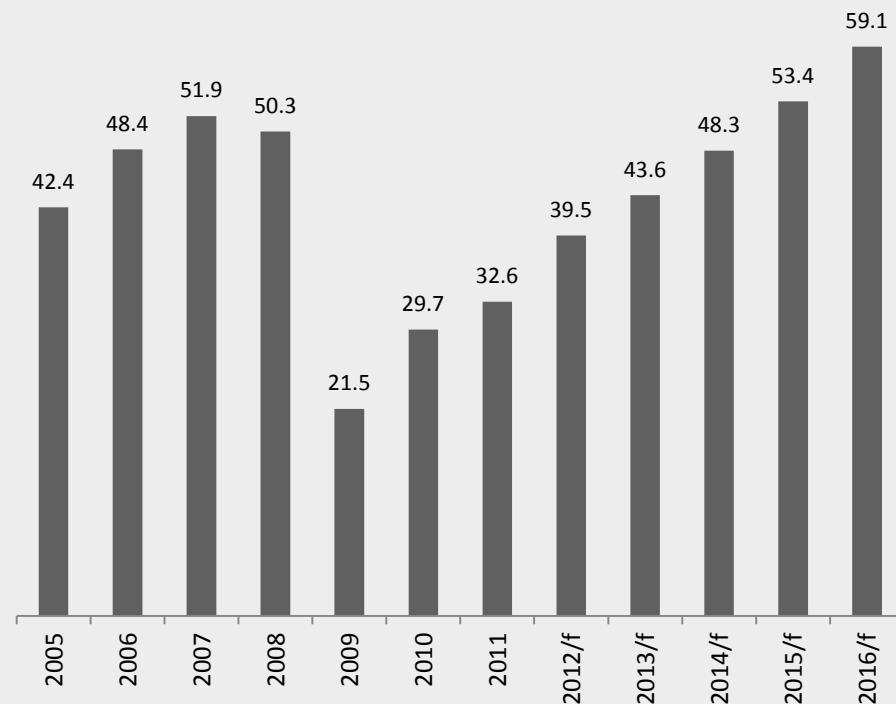
Mexico: Heavy vehicle production, 2005-2016
(thousands of units)



/f :forecast for the year

Source: ANPACT and forecasts of the growth rate from Business Monitor International

Mexico: Heavy vehicle consumption in Mexico, 2005-2016
(thousands of units)



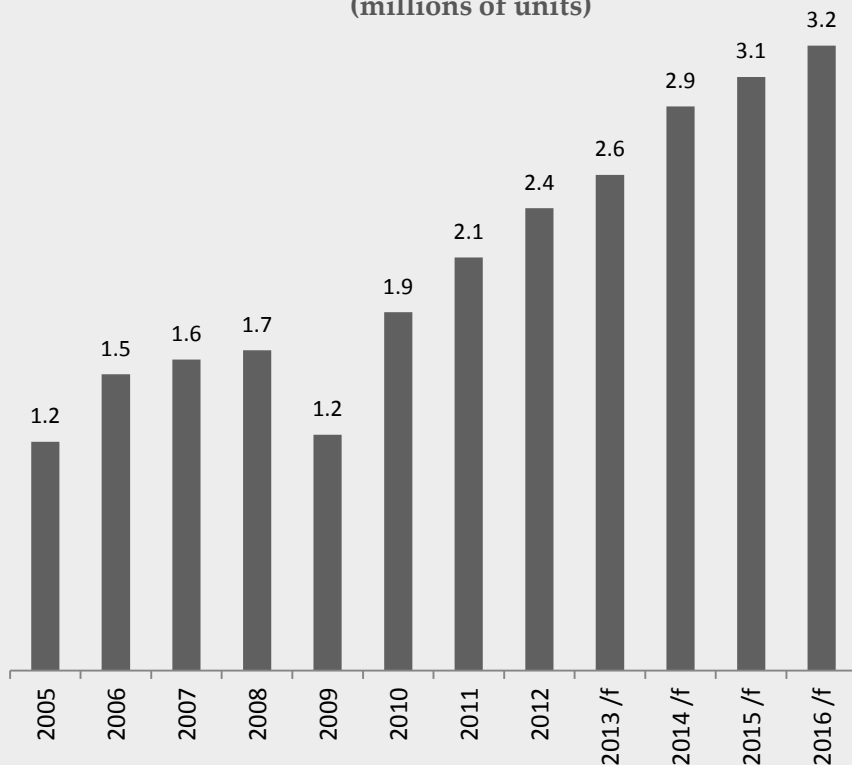
/f: forecast for the year

Source: ANPACT and forecasts of the growth rate from Business Monitor International

Automotive Industry Exports from Mexico

- Light vehicle exports reached historic records in 2012.
- It is estimated that by 2012 Mexico became the 4th largest light vehicle exporter in the world.

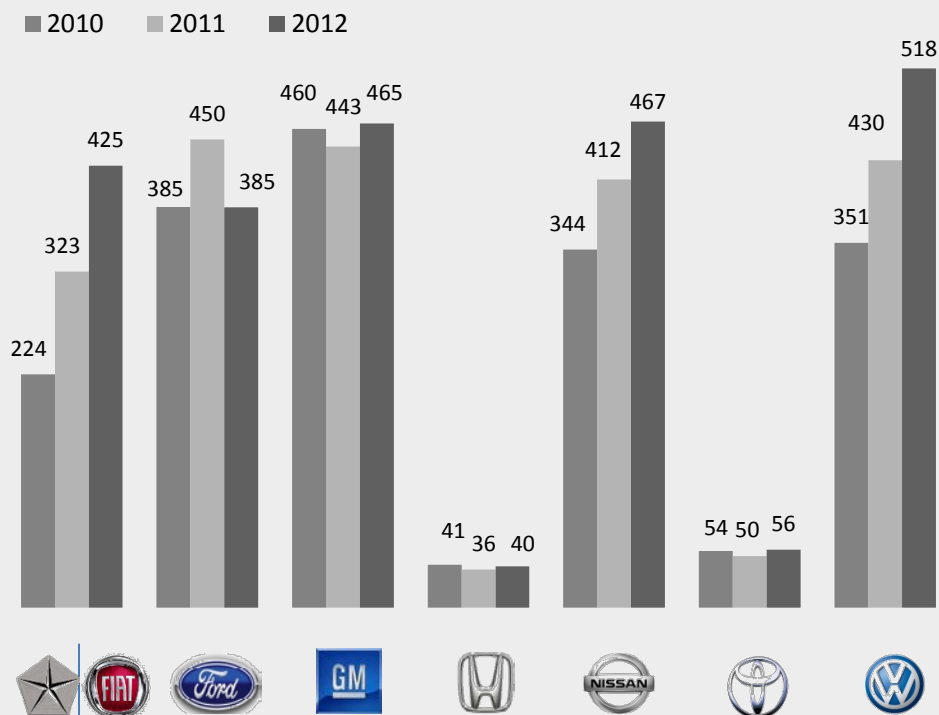
Mexico: light vehicle exports, 2005-2016
(millions of units)



/f forecast for the year

Source: Source: AMIA (2005-2012), Global Insight (2013-2016).

Mexico: light vehicle exports by company, 2010-2012
(thousands of units)



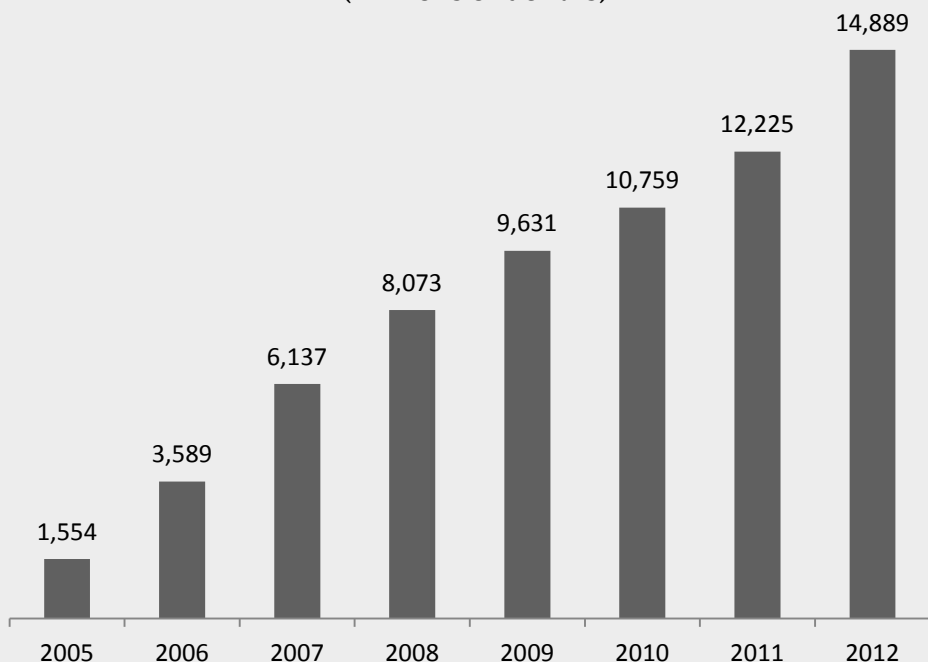
Source: AMIA.

FDI received by Mexico's Automotive Industry

- FDI in the automotive industry reached 14.9 billion dollars between 2005 and 2012.

- Important automakers are expanding their production lines in Mexico.

Mexico: FDI received in the automotive industry, 2005-2012
(millions of dollars)



Source: ProMexico with information from the Minister of Economics RNIE

FDI in Mexico by automaker, 2007-2012
(millions of dollars)

Company	2007-09	2010	2011	2012	Accumulated
Daimler Trucks	871				871
General Motors	3,870	435	540	420	5,265
Volkswagen	1,053	1,020			2,073
Ford	3,000			1,300	4,300
Fiat/Chrysler		550	620		1,170
Nissan		600		2,000	2,600
Honda			800		800
Mazda			500		500
Audi				1,300	1,300
Total	8,794	2,605	2,460	5,020	18,879

Source: ProMexico based on media information

Location of light vehicle manufacturing plants in Mexico



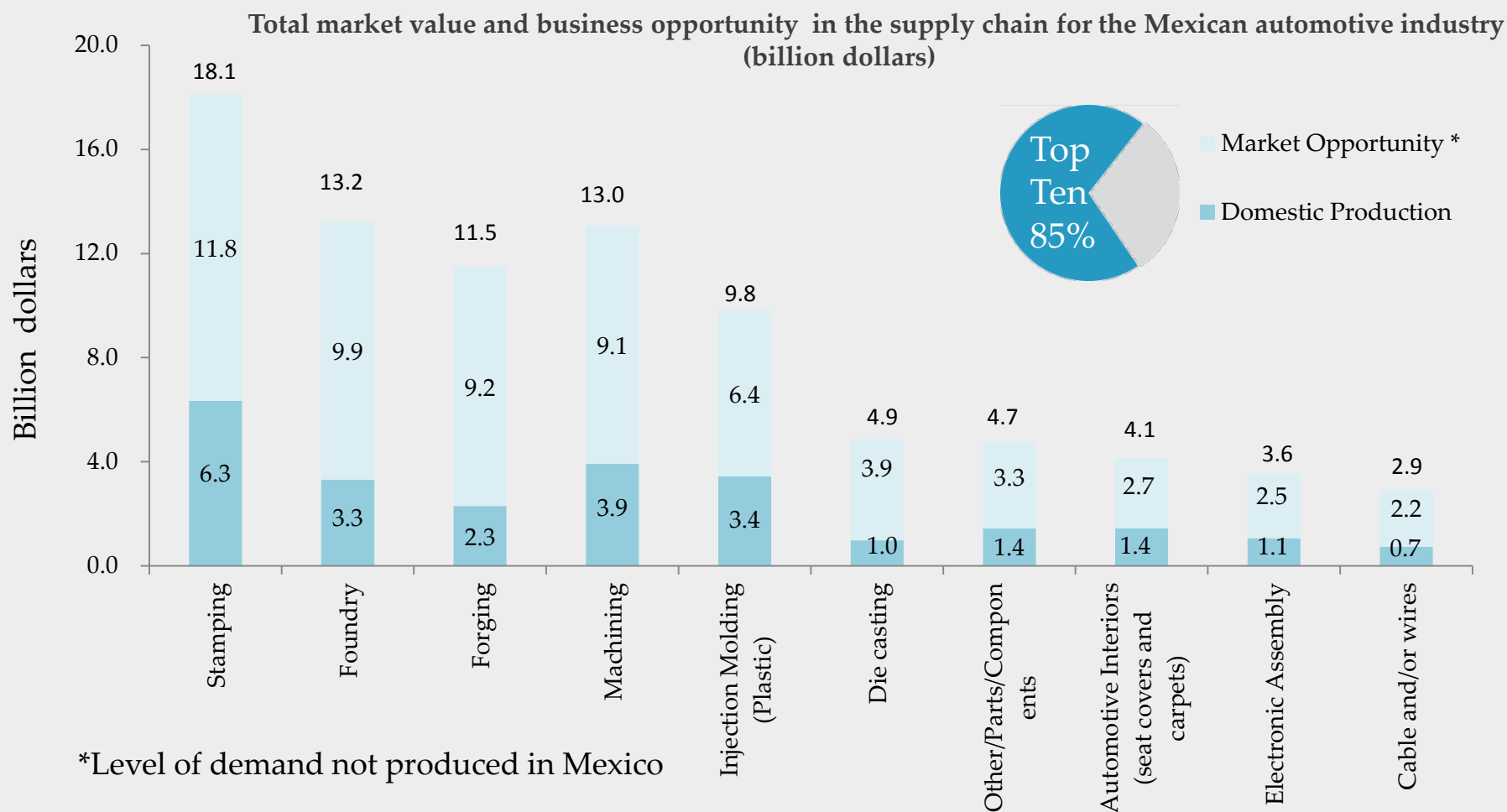
*Fiat will produce vehicles in Chrysler's plant located in Saltillo

Location of heavy vehicle manufacturing plants in Mexico



Investment & Business Opportunities in Automotive Supply Chain

- Market opportunities in processes with lack of presence in Mexico / **71%** of the total demand are imported.
- Some of the processes with the highest demand are: stamping, foundry, forging and machining.



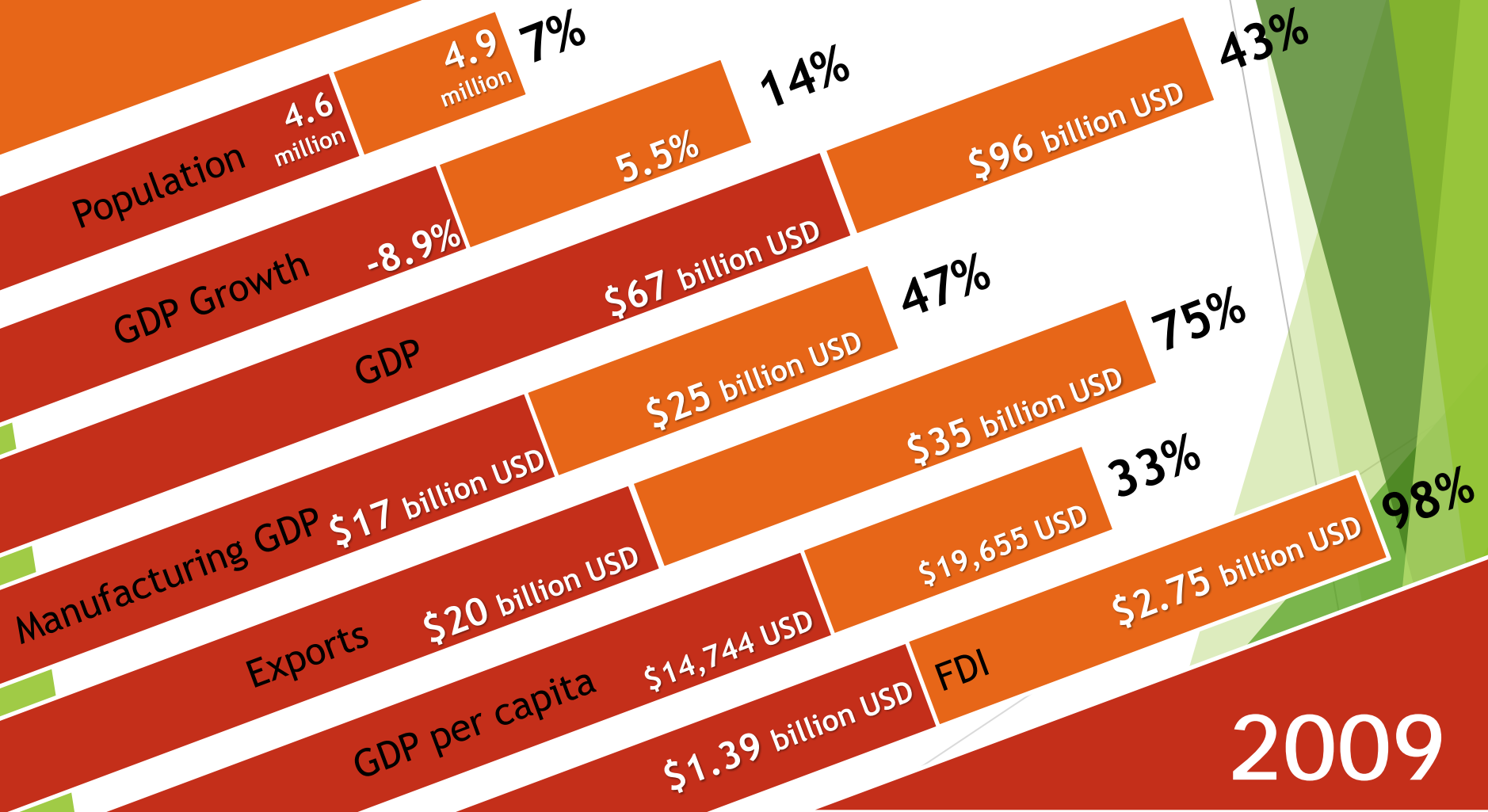
NUEVO LEON AT A GLANCE





NUEVO LEON AT A GLANCE

2012



2009



NUEVO LEON AT A GLANCE

Nuevo Leon

Mexico

4.9 million inhabitants
(4.2%)

116.9 million inhabitants (100%)

Population

\$96.8 billion USD (8%)

\$1.19 trillion USD (100%)

GDP

\$24.5 billion USD
(11%)

\$220.4 billion USD (100%)

Manufacture
GDP

\$35 billion USD (11%)

\$318 billion USD (100%)

Exports

\$19,655 USD

\$10,071 USD

GDP
per capita

\$2.75 billion USD
(22%)

\$12.6 billion USD (100%)

FDI

5.0%

3.9%

GDP
growth

More than \$2.75 billion USD in FDI in 2012, generating more than 10,000 new employment.

The automotive sector represents 22% of the total FDI received in 2012, and 25% of the new employment

FDI mix in 2012:
30% new companies and
70% from expansions

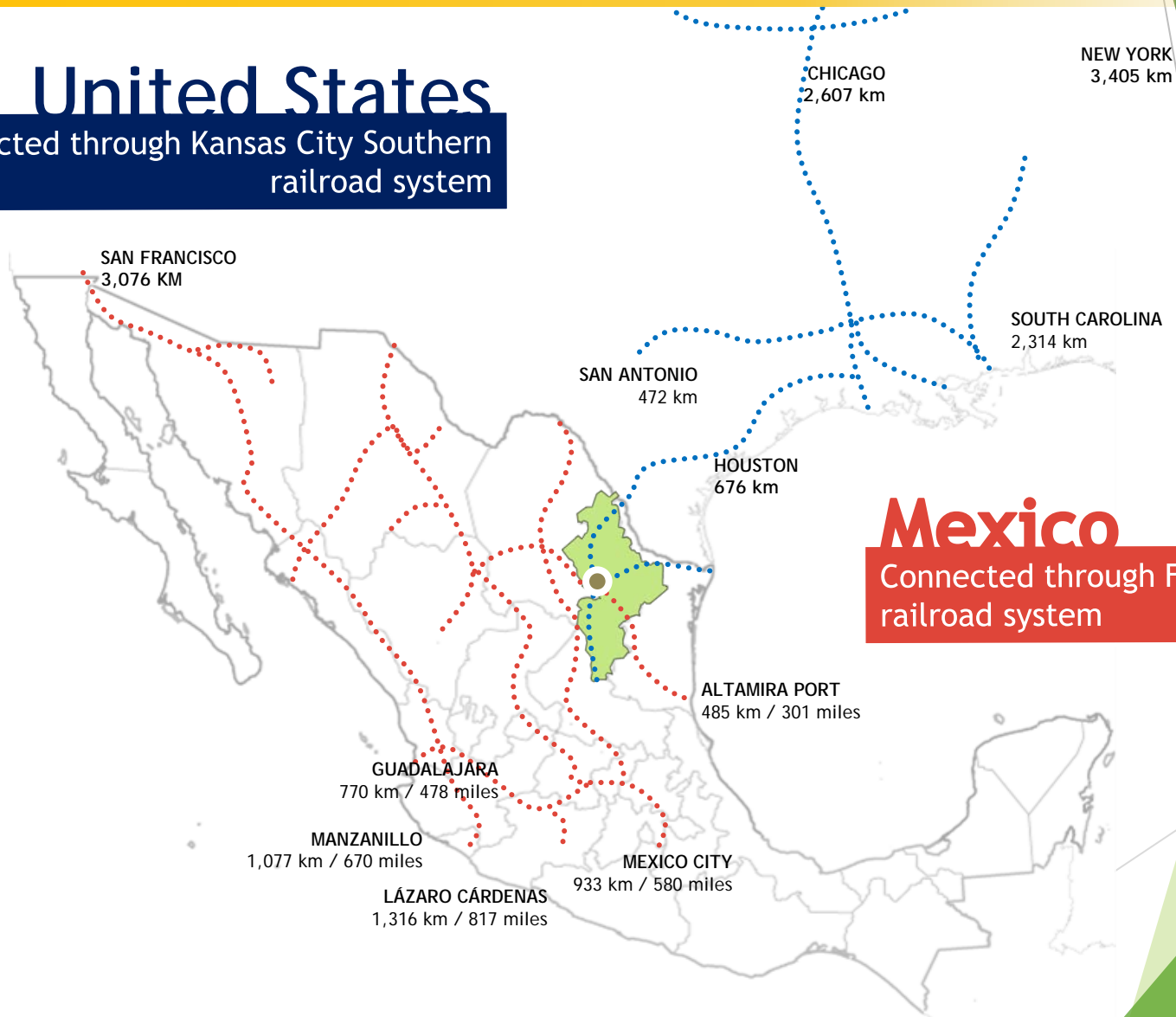
2012

STRATEGIC LOCATION



United States

Connected through Kansas City Southern
railroad system



Mexico

Connected through Ferromex
railroad system



AUTOMOTIVE SECTOR IN NL

200 automotive companies

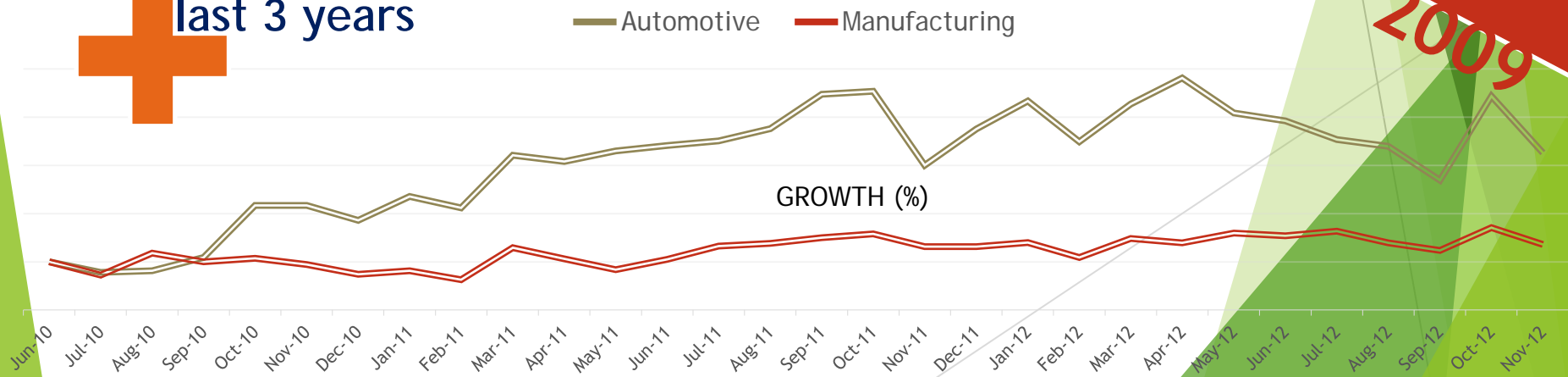
10% of all automotive companies in Mexico

24% of autoparts in Mexico are produced in NL

Over 45% growth in the last 3 years

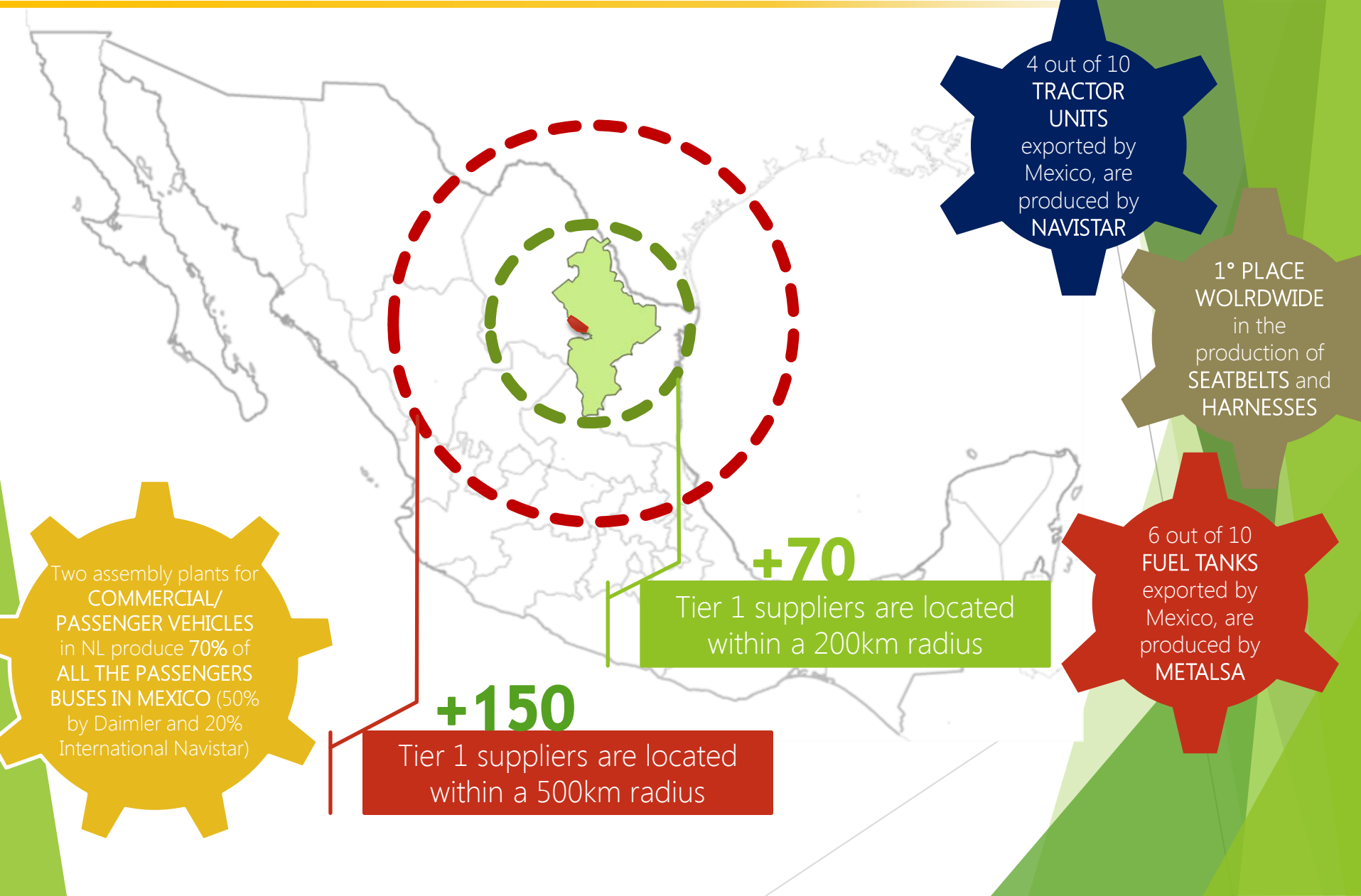
The automotive industry is the main exporter and largest job creating sector in Nuevo Leon.

2012 +42%
Formal employment of the Automotive Sector in Nuevo Leon +60,000
2009 +42,000





AUTOMOTIVE SECTOR IN NL



AUTOMOTIVE CLUSTER



+70 MEMBERS

The Automotive Cluster of Nuevo Leon (CLAUT) is a private association that groups and represents companies involved in the Automotive Industry in the Northeast Mexico.



2 OEMs **20 Tier 1** **28 Tier 2** **4 Research Centers**
4 Government Areas **1 Vocational School** **4 Universities**

OEM SUPPLIER



Located in Monterrey, Nuevo Leon, **TERNIUM** is a fully **INTEGRATED FLAT AND LONG CARBON STEEL PRODUCER** with own iron ore mines.

Current auto and truck **CUSTOMERS** in **MEXICO INCLUDE NISSAN, CHRYSLER, GM, FORD, VW, NAVISTAR.**

The new facility will be located in **PESQUERIA**, Nuevo Leon, **15 MINUTES** away from the **INTERNATIONAL AIRPORT**

Starting operations in July 2013

Through Tenigal, its joint venture with Nippon Steel, Ternium increases the product offer to include **galvanized and galvanealed products for Exposed Panels, Advanced High Strength Steel (AHSS)** and other high quality products for automotive companies.

INDUSTRIAL DEVELOPMENT



NUEVO LEON'S AUTOMOTIVE SUPPLY CHAIN



DAIMLER



nemak



KATCON

TAKATA



Johnson Controls



Quality as a way of life

NIFICO

DENSO

AISIN



GONHER AUTOPARTES

OEM

2

Supplier +50

Supplier +100

Stampings (16)

Fasteners (3)

Plastic parts (25)

Finishing (5)

Machining

(14) Cable/Wire (4)

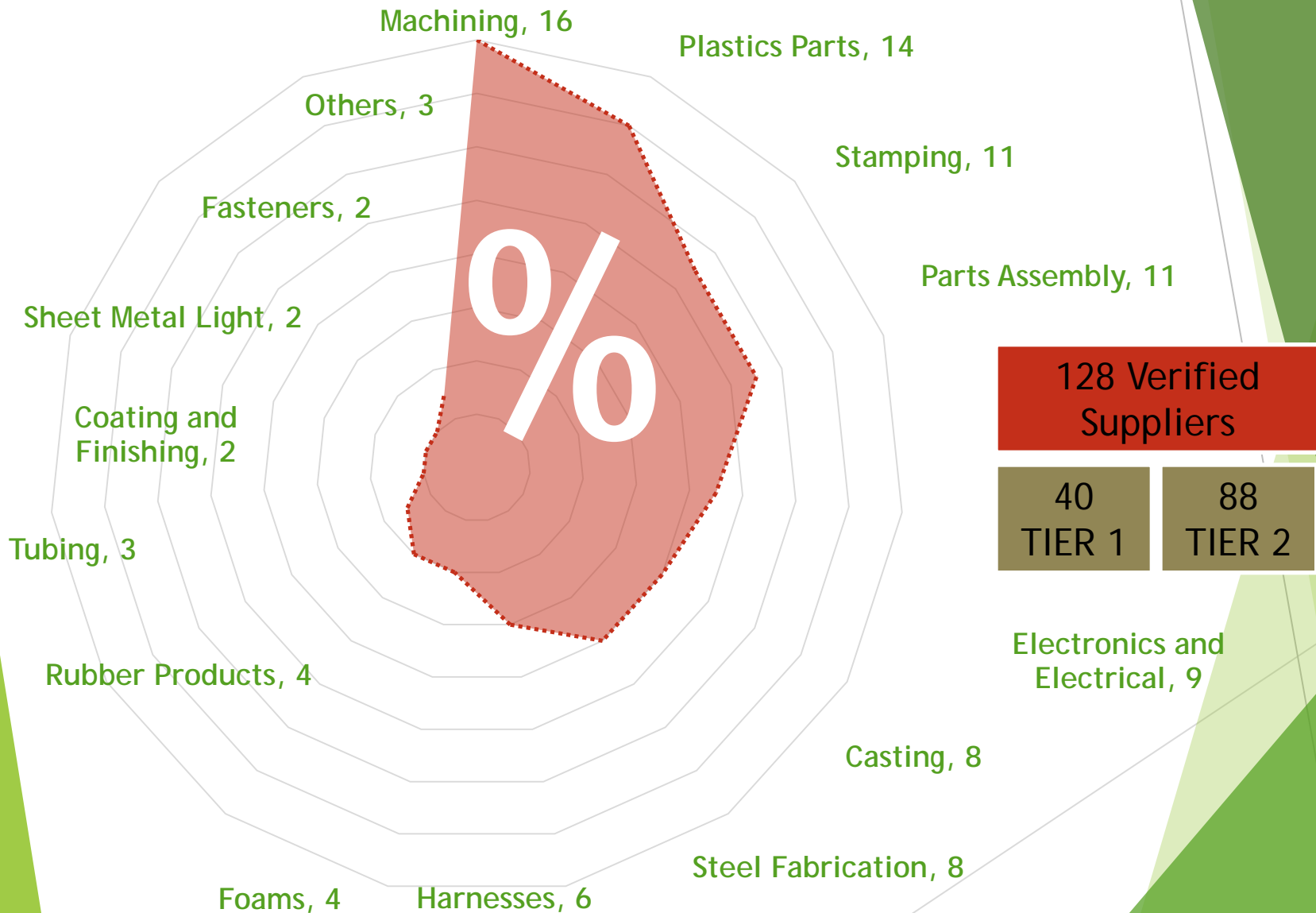
Forgings (1)

Harnesses (2)

Electric devices (2)

Castings (6)

AUTOMOTIVE SUPPLY CHAIN IN NL



MAIN AUTOPARTS PRODUCED IN NL



BODY WORK

BRAKE SYSTEM

STEERING SYSTEM

SUSPENSION SYSTEM

AIR CONDITIONING SYSTEM

ELECTRICAL SYSTEM

FUEL SYSTEM

SAFETY, COMFORT AND
OTHERS

STRUCTURE

ENGINE

TRANSMISSION

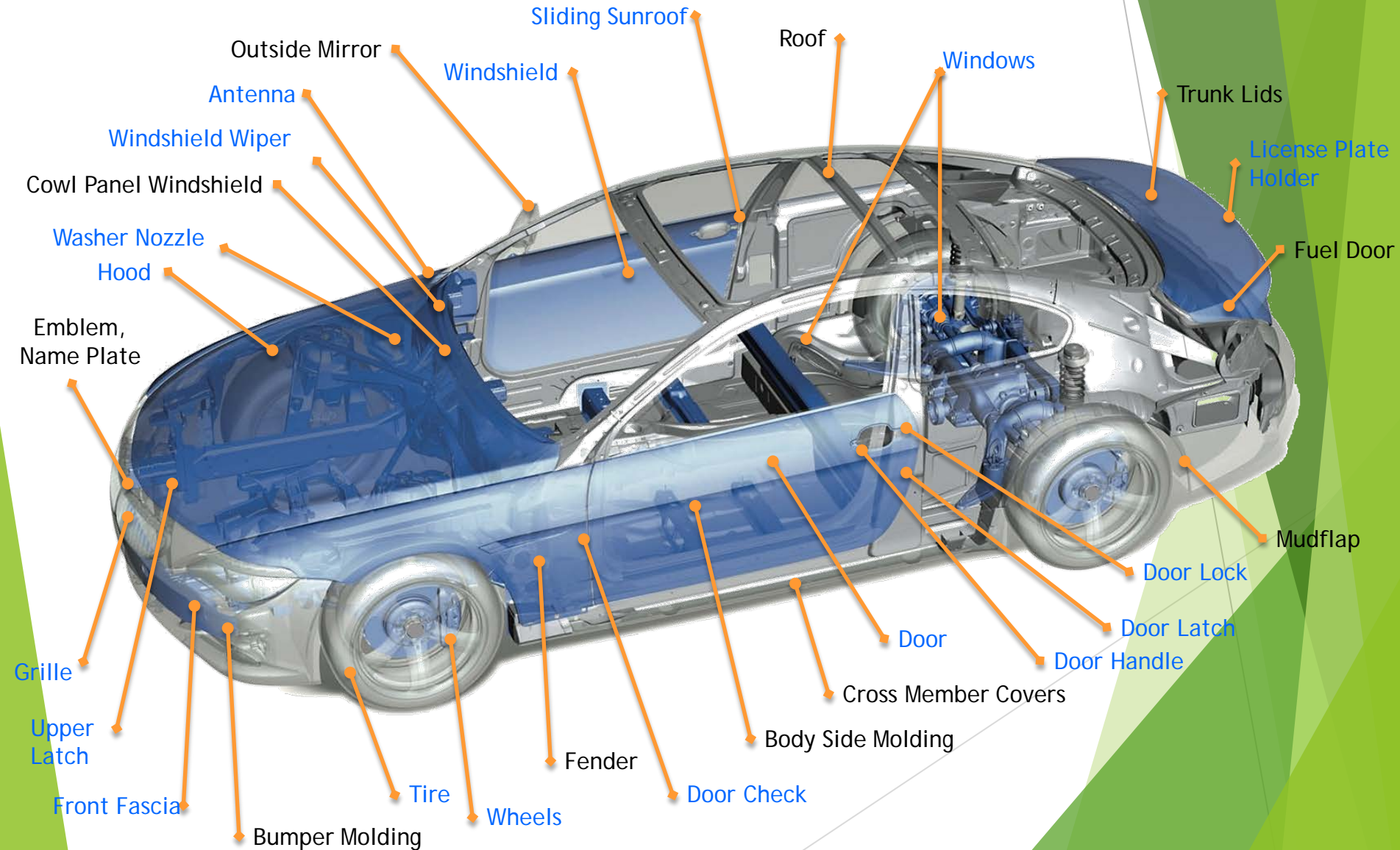


BODY WORK

20 OUT OF 29 PARTS

27 SUPPLIERS

ARE PRODUCED IN NL

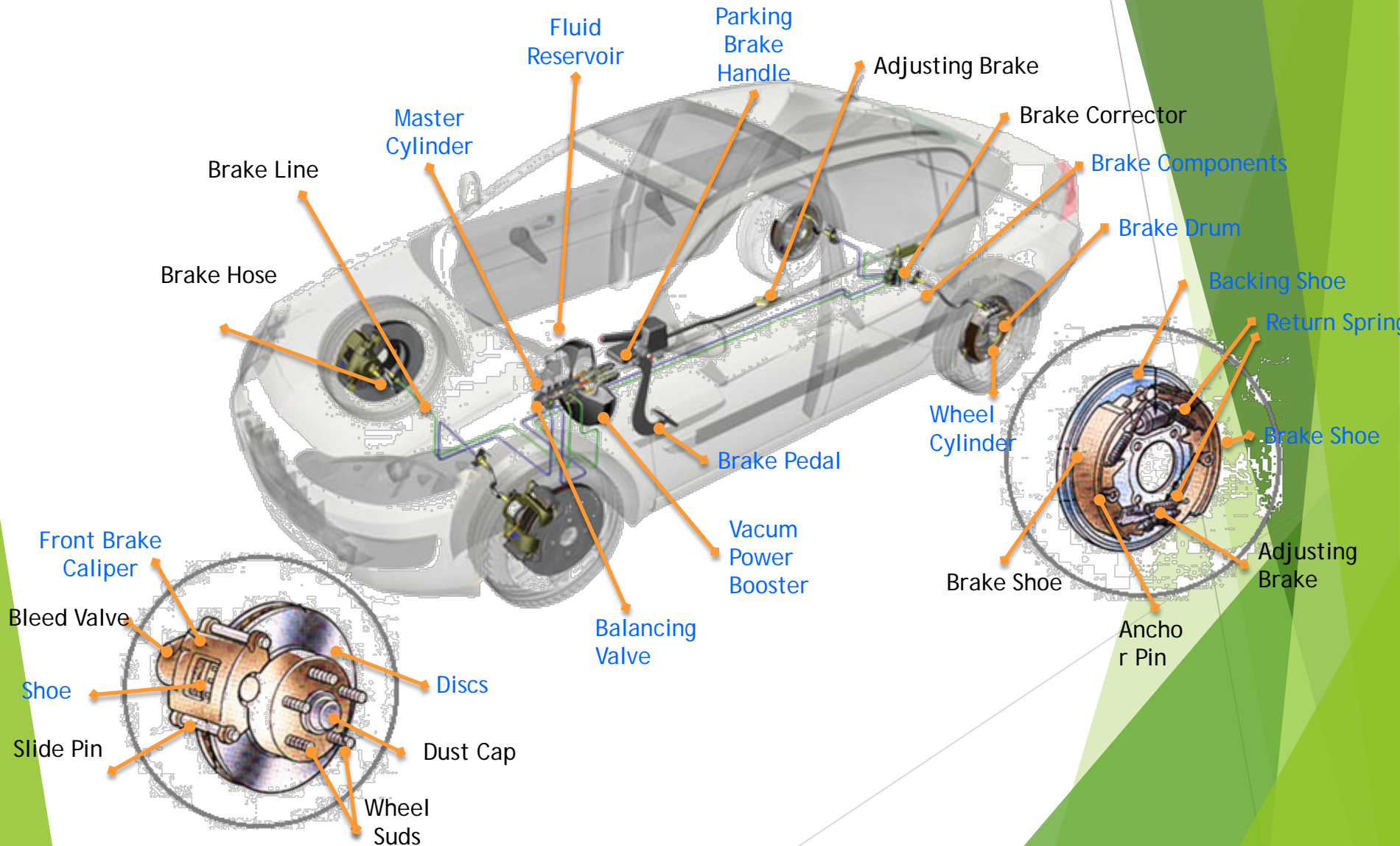


BRAKE SYSTEM

15 OUT OF 26 PARTS

22 SUPPLIERS

ARE PRODUCED IN NL

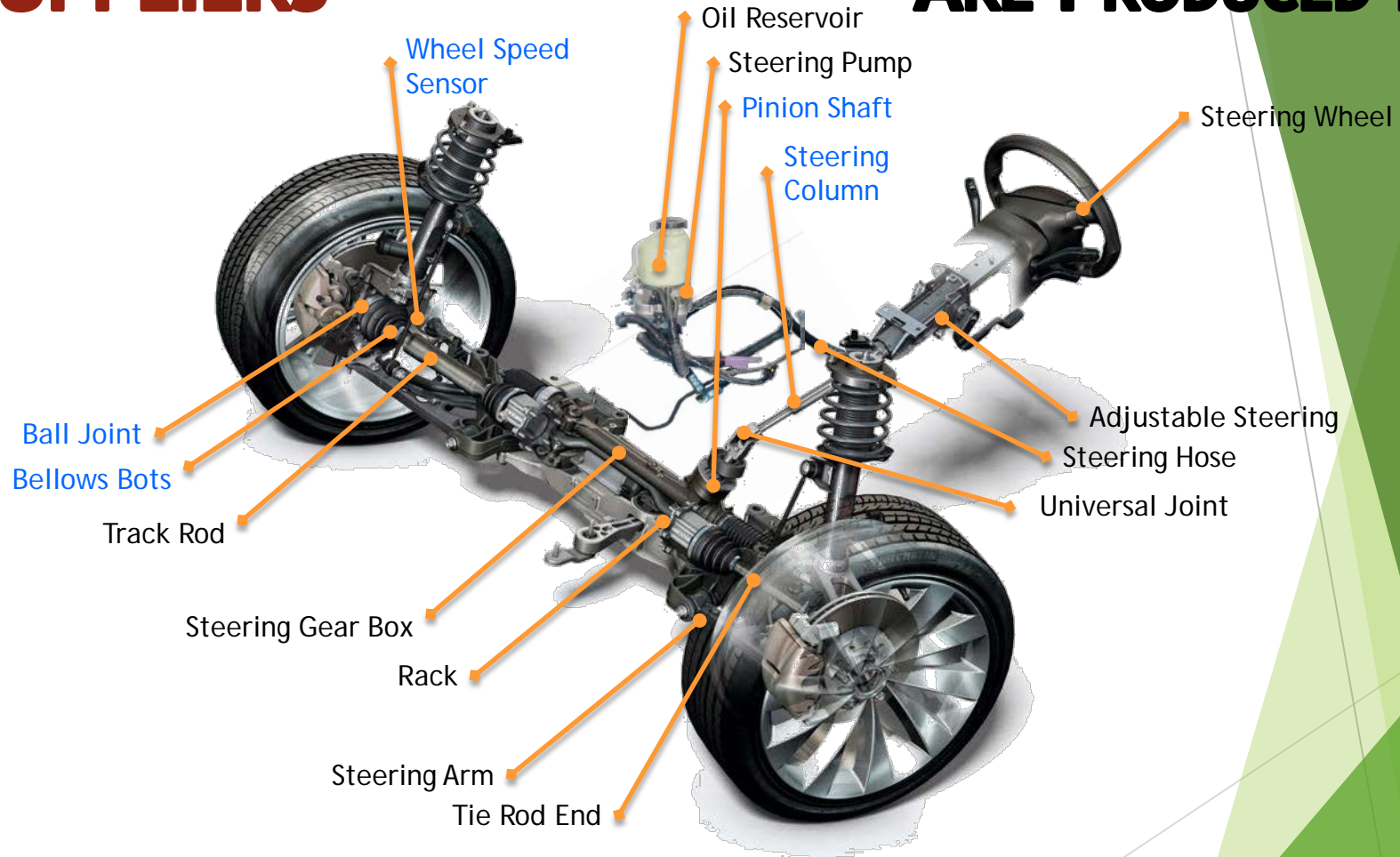


STEERING SYSTEM

5 OUT OF 16 PARTS

8 SUPPLIERS

ARE PRODUCED IN NL

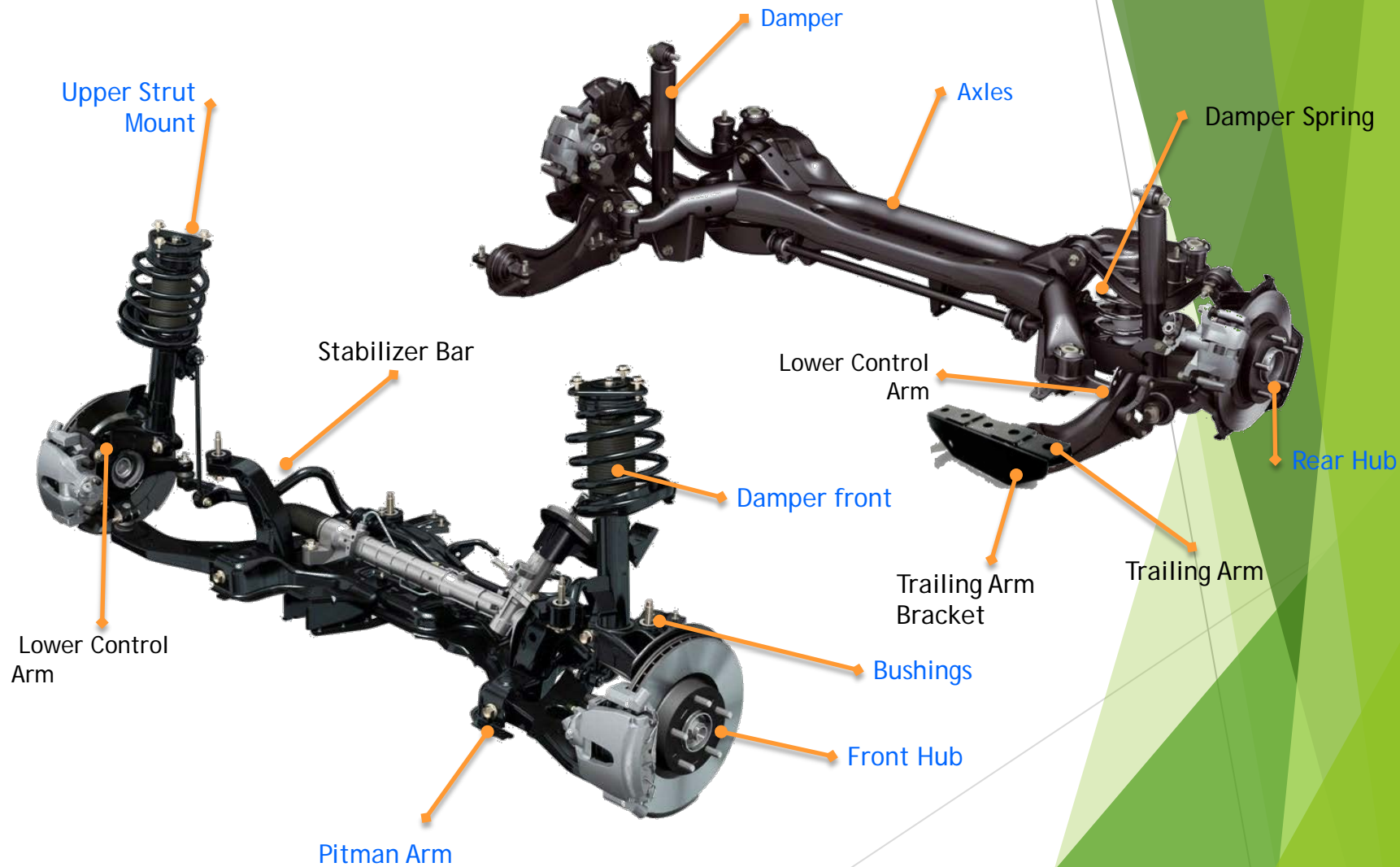


SUSPENSION SYSTEM

8 OUT OF 14 PARTS

23 SUPPLIERS

ARE PRODUCED IN NL

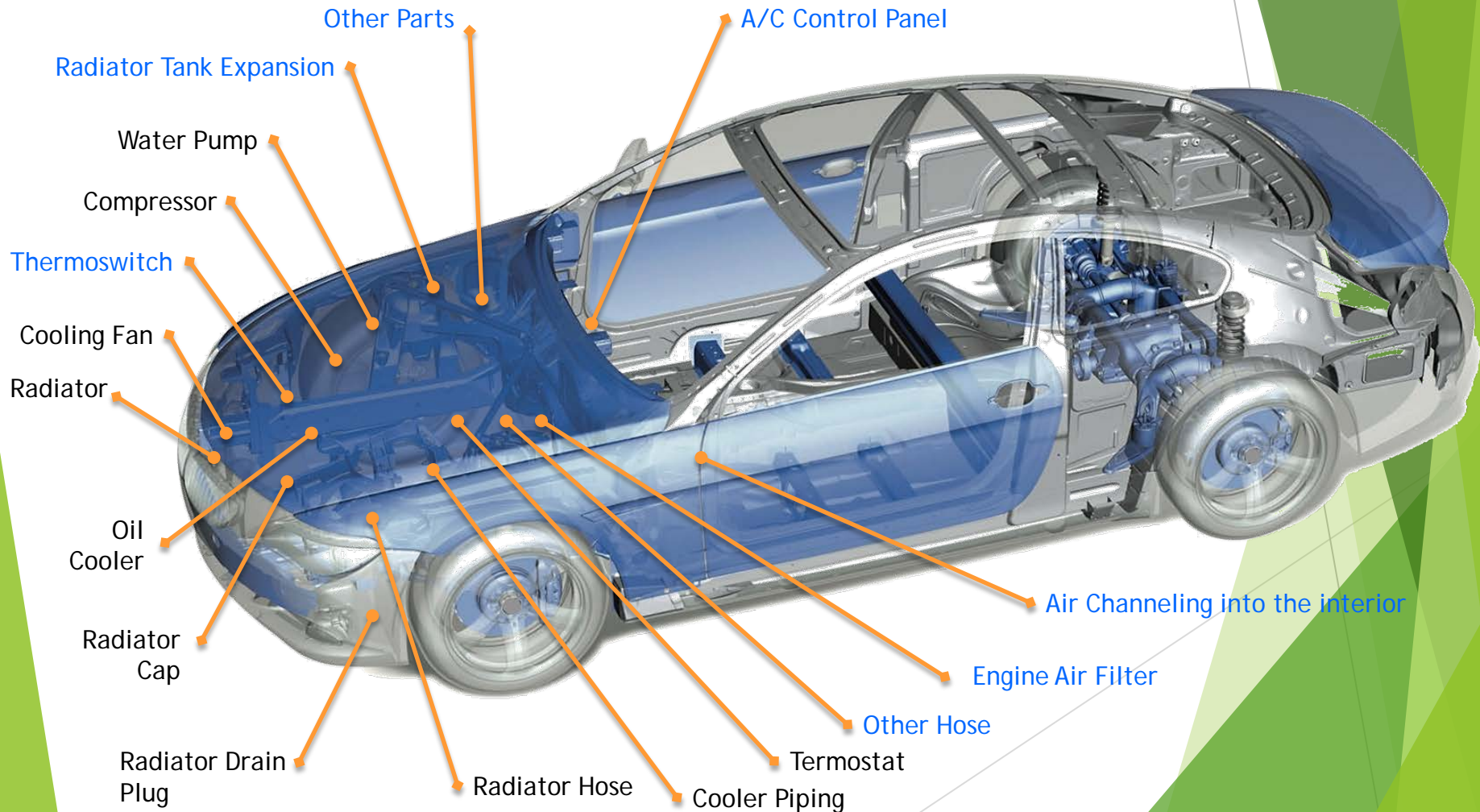


AIR CONDITIONING

7 OUT OF 17 PARTS

12 SUPPLIERS

ARE PRODUCED IN NL

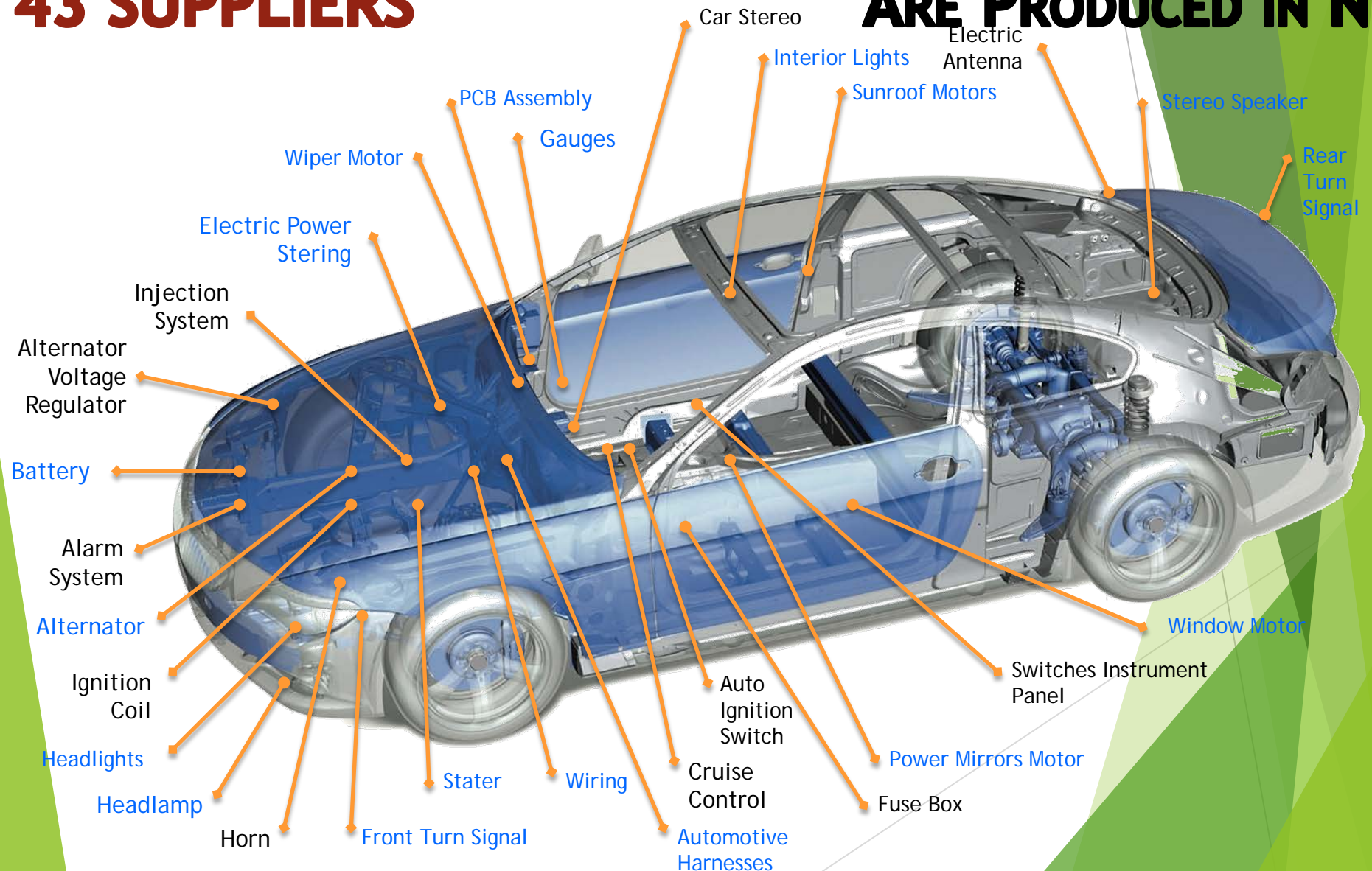


ELECTRICAL SYSTEM

18 OUT OF 29 PARTS

43 SUPPLIERS

ARE PRODUCED IN NL

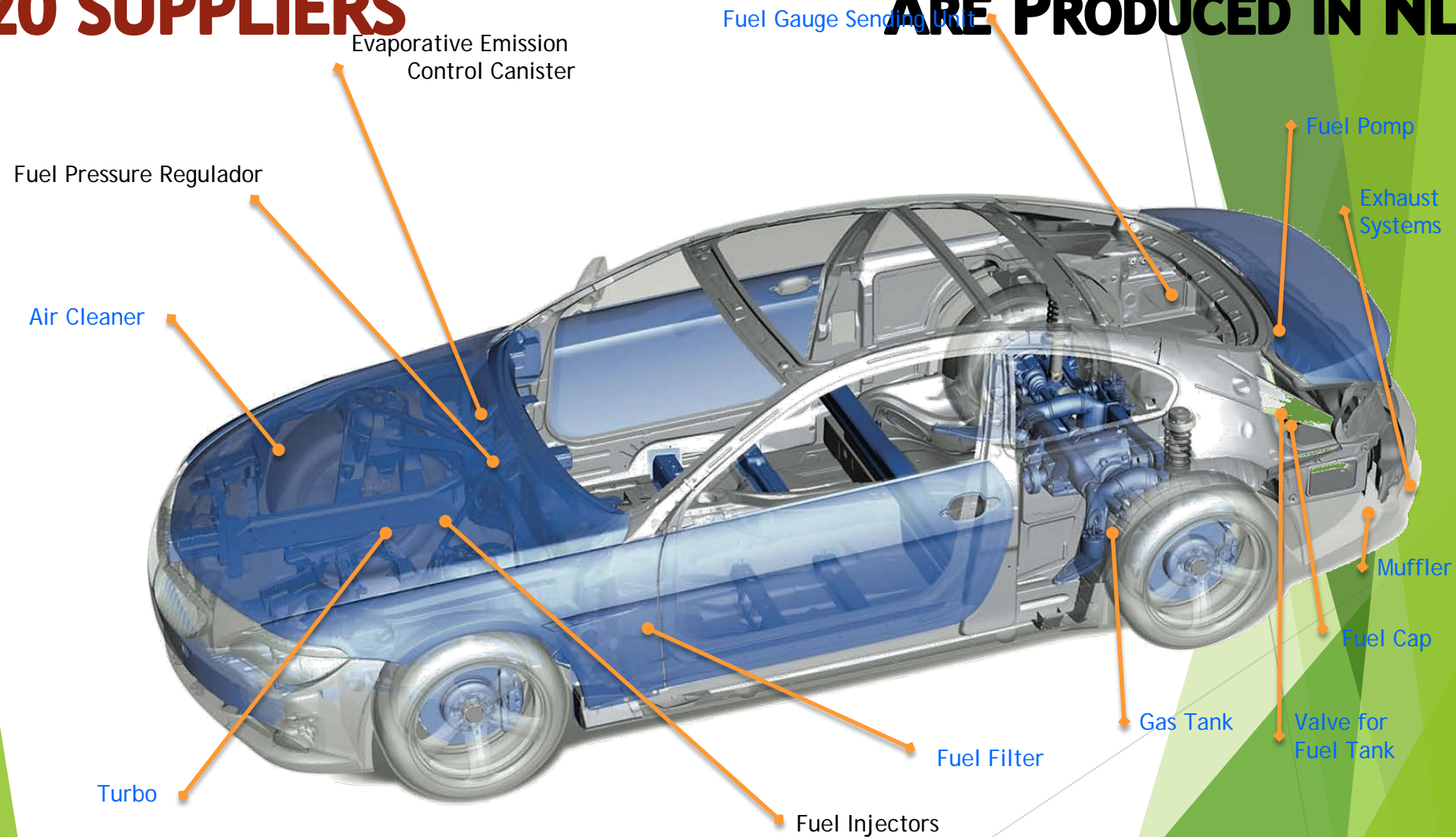


FUEL SYSTEM

10 OUT OF 13 PARTS

20 SUPPLIERS

ARE PRODUCED IN NL

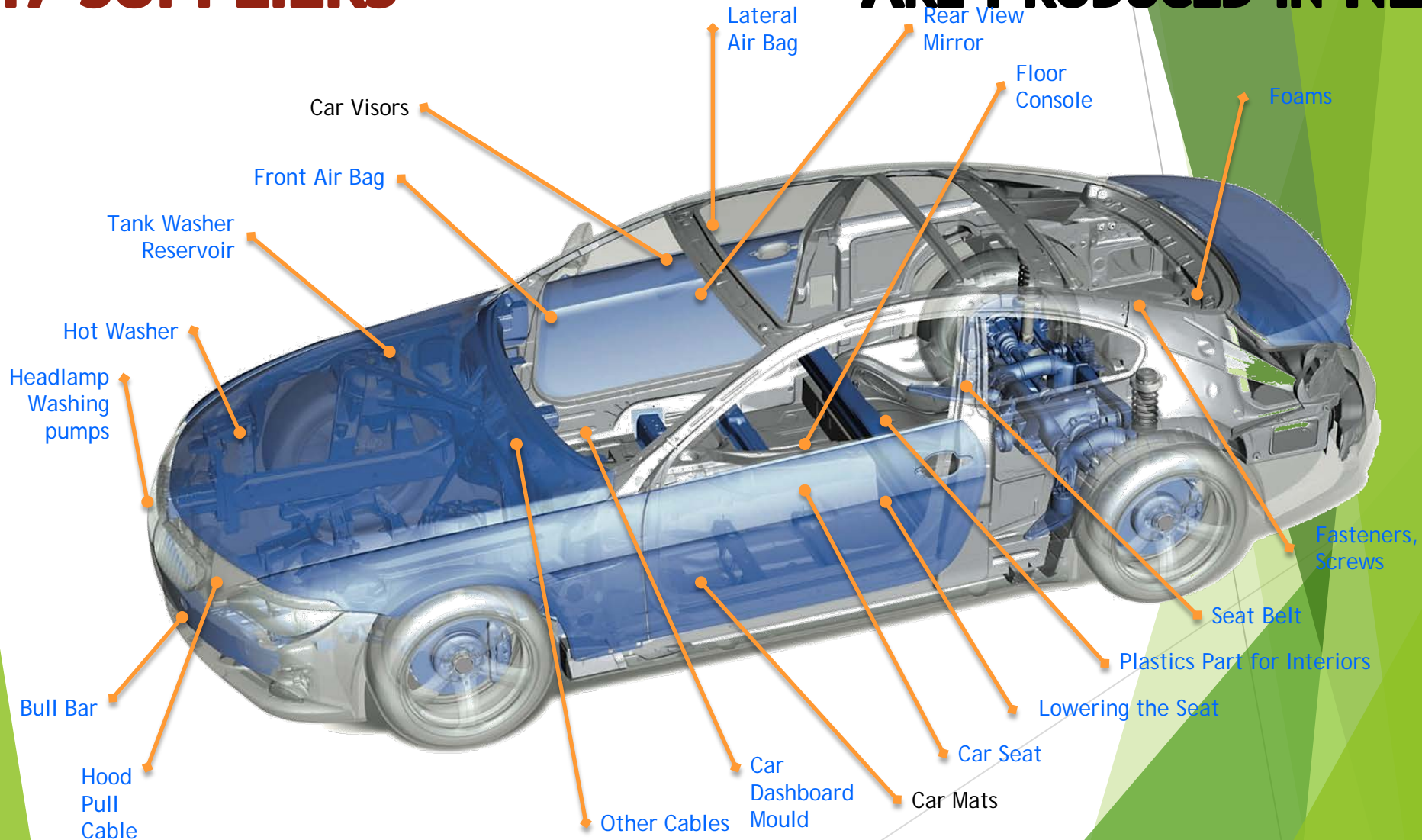


SAFETY & COMFORT

17 OUT OF 19 PARTS

47 SUPPLIERS

ARE PRODUCED IN NL

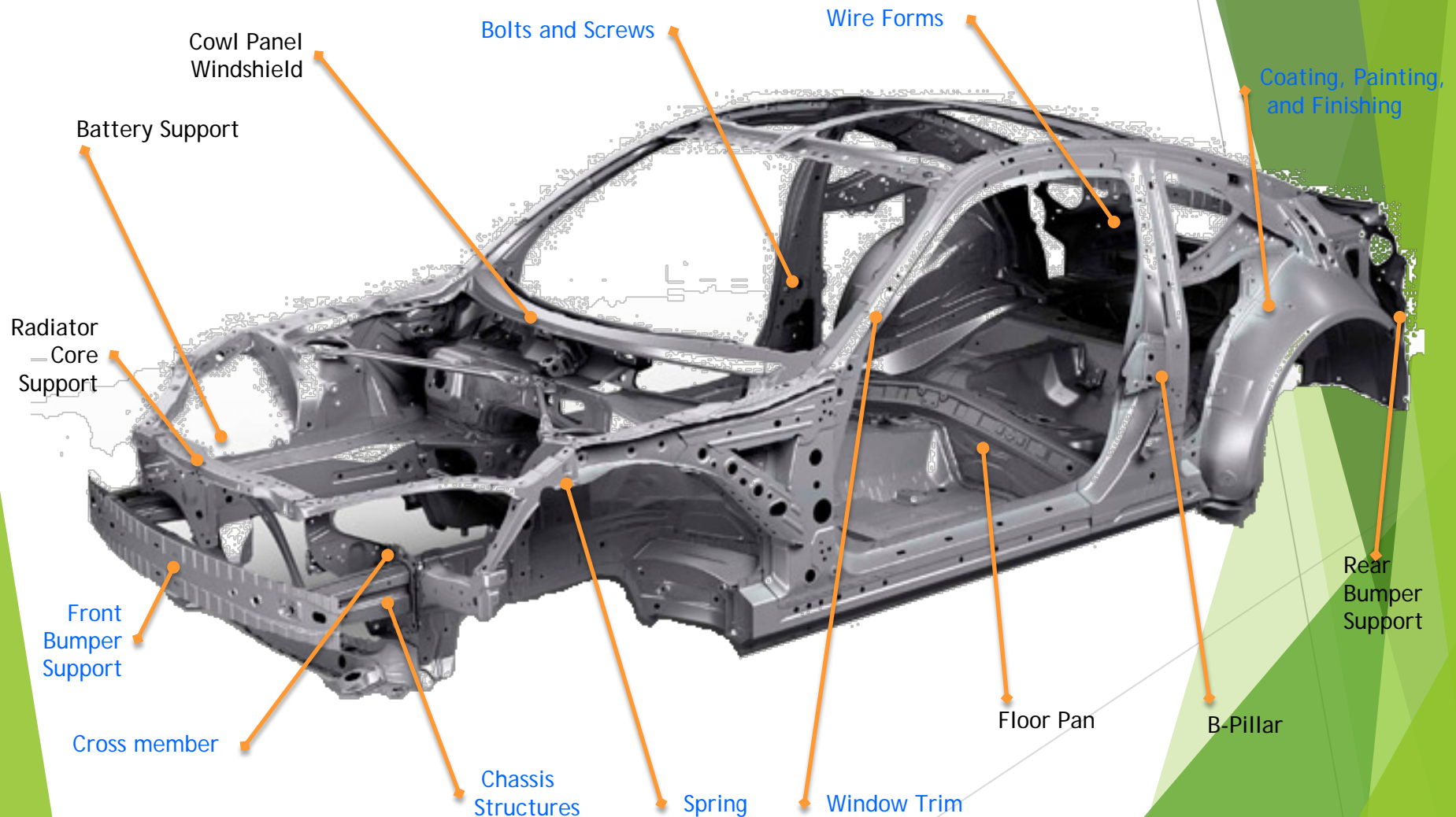


STRUCTURE

8 OUT OF 14 PARTS

23 SUPPLIERS

ARE PRODUCED IN NL

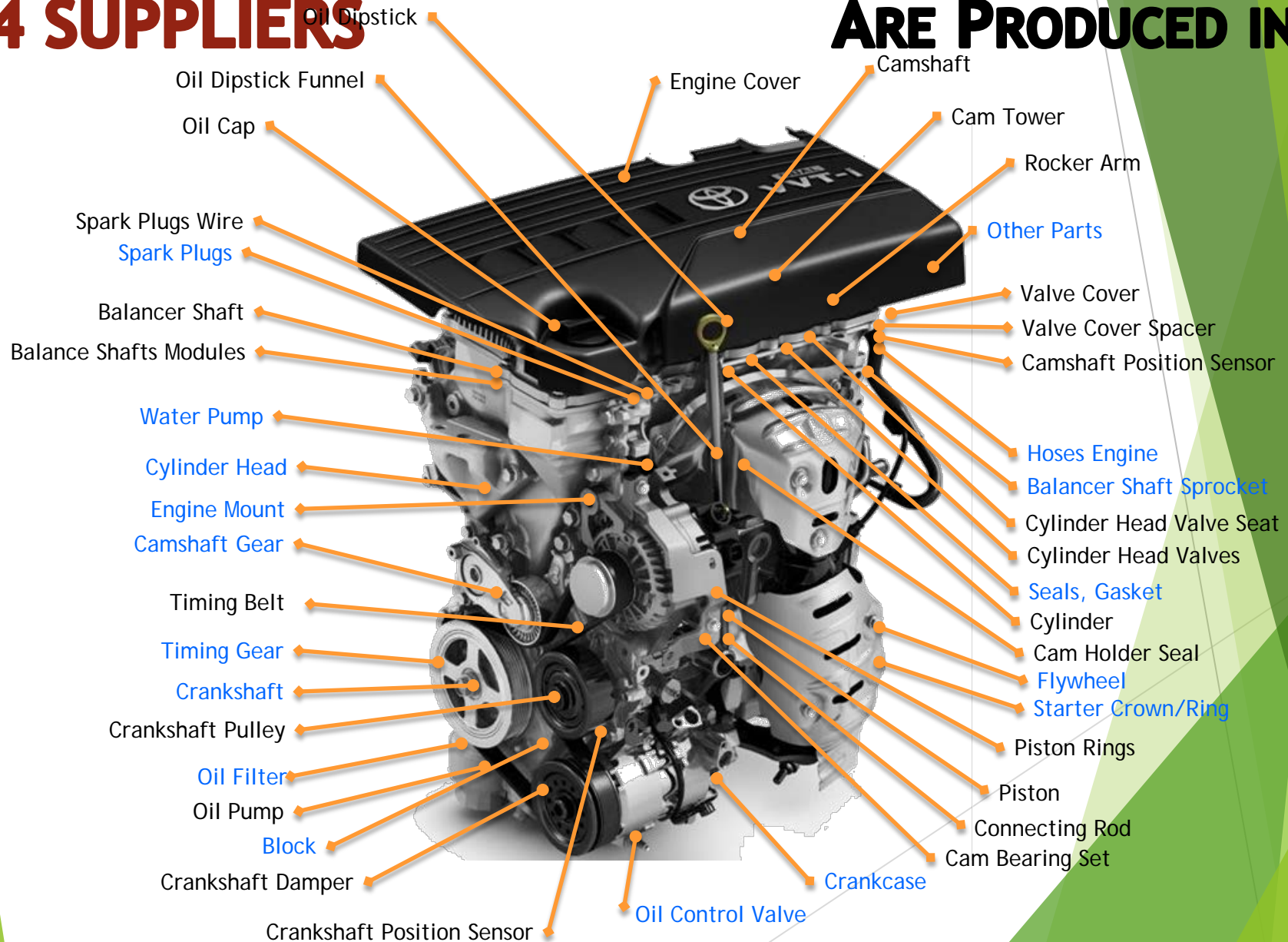


ENGINE

16 OUT OF 43 PARTS

34 SUPPLIERS

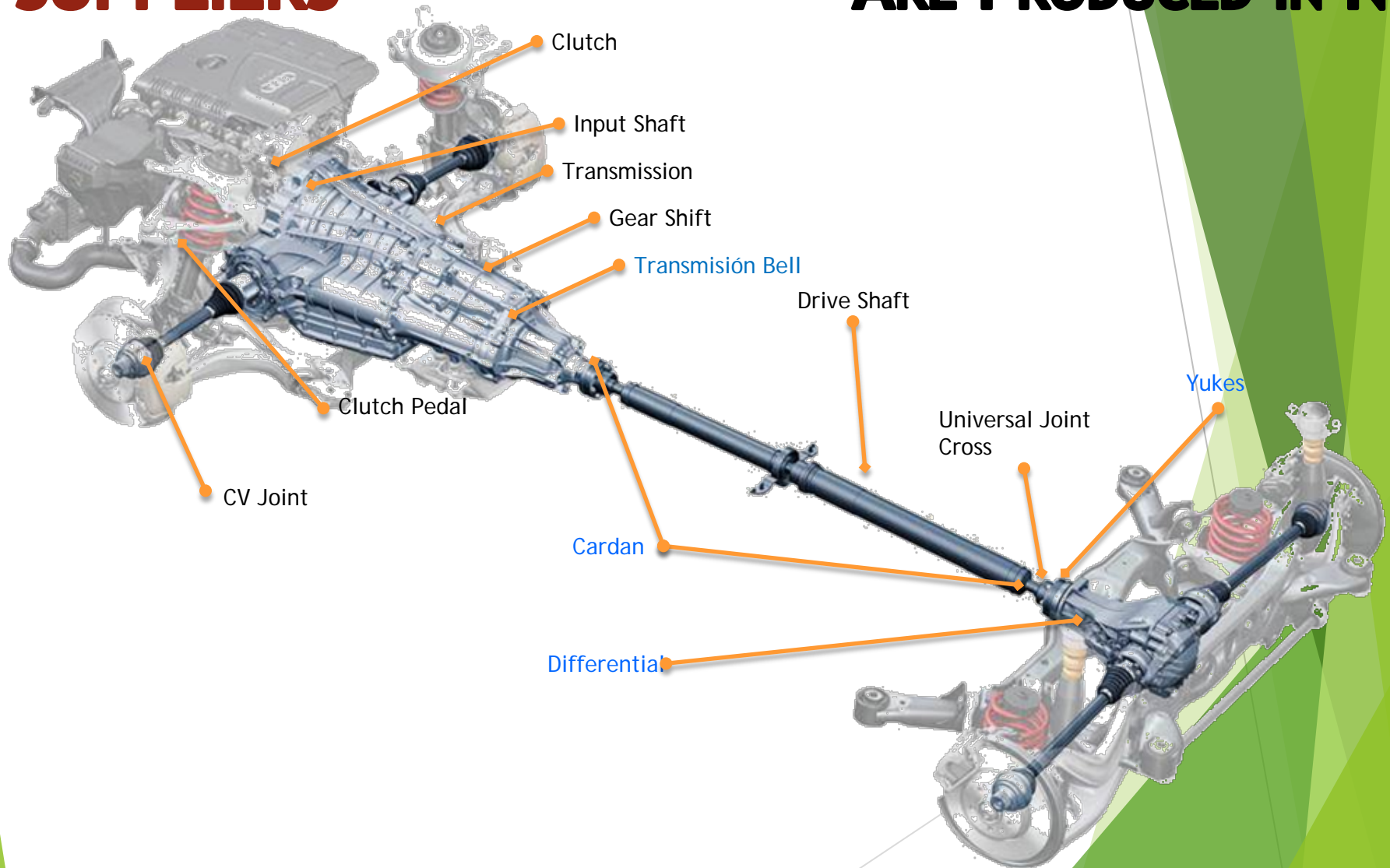
ARE PRODUCED IN NL



TRANSMISSION

7 SUPPLIERS

**4 OUT OF 12 PARTS
ARE PRODUCED IN NL**





Dates: July 10-12, 2013
Venue: Mexico City
Expected Visitors: 21,611
Exhibitors: 474 from 20 countries

Categories: Parts & Systems, Accessories & Tuning, Repair & Maintenance, IT & Management, Service station & Car Wash

Attendee's Profile: Warehouse Distributors, Service Repair Shops, Mechanics, Car Dealers, Tire Dealers, Retailers, Auto Electrics, Transmission Shops, Heavy Duty Service, OEMs, Manufacturers' Representatives and Collision Repair Shops

<http://www.paaceautomechanika.com>



Dates: November 11-15, 2013
Venue: Queretaro
Expected Visitors: 1,000
Companies: 500 from 20 countries

CONNECT WITH AUTOMAKERS, TIER 1 SUPPLIERS OPERATING FACILITIES IN MEXICO

- Automakers with production sites in Mexico will send supply chain, procurement, engineering teams only
- Equipment and systems suppliers
- US companies with capabilities in the automotive supply chain have a real opportunity

<http://www.automotivemeetings.com/mexico/index.php/en/>

For further information, please contact:

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Trade Mission Overview

- **Mexico City**

Sep 23

Breakfast briefing
Chrysler Plant tour
Welcome reception

Sep 24

Matchmaking meetings with potential clients, distributors/representatives, or
Visits to:
GM – company presentation and purchasing process
Ford – company presentation and purchasing process

- **Monterrey**

Sep 25

Breakfast briefing
Plant tour
Inauguration and tour of automotive trade show
Evening Reception

Sep 26

Matchmaking meetings with potential clients, distributors/representatives

Questions?

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